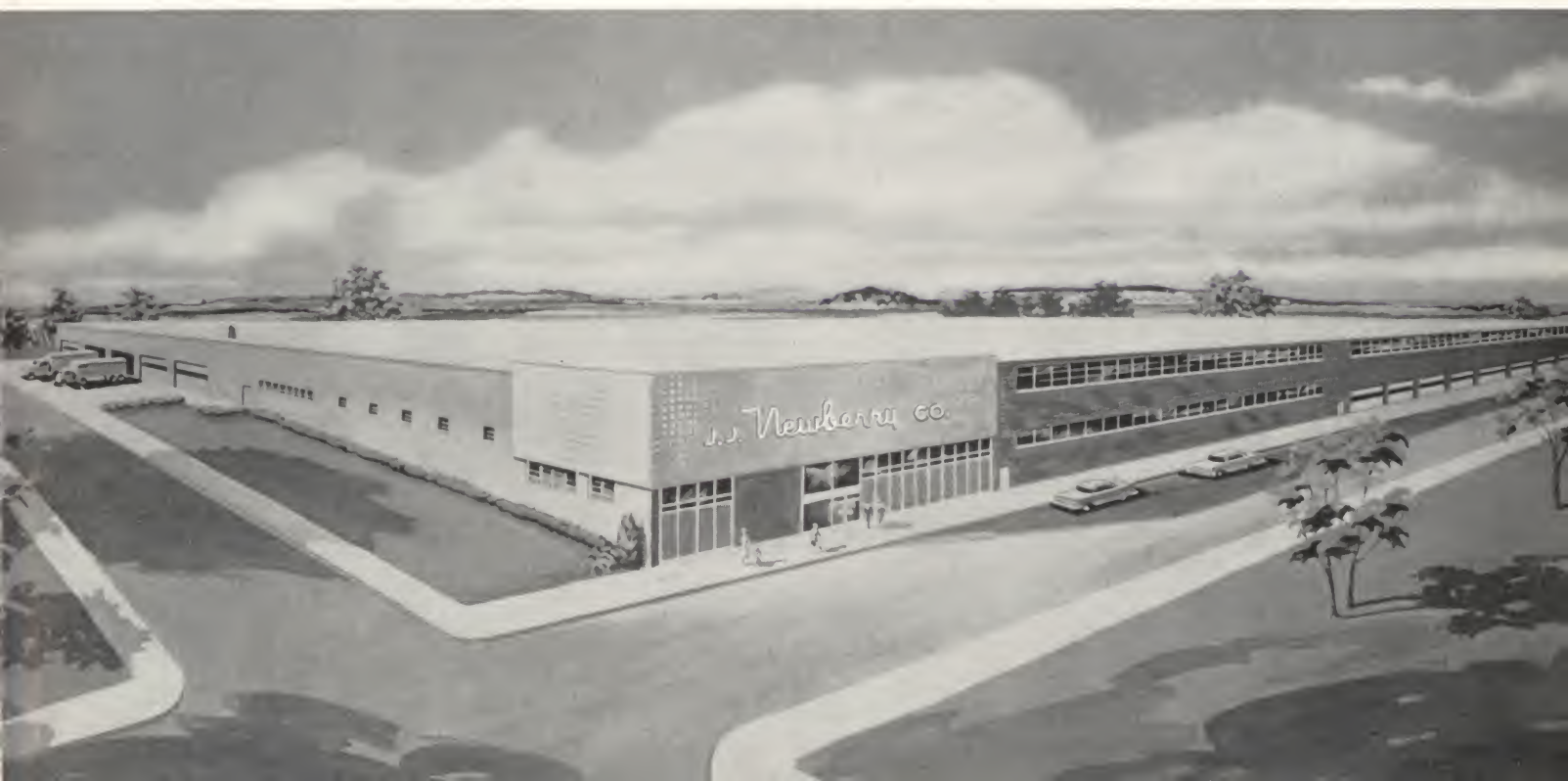


DECEMBER 1, 1960
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CORPORATION FILE

Newberrys

A N N U A L R E P O R T 1 9 6 0





THE COVER: Our new warehouse in Woodside, Queens, New York, constructed in 1960.

DIRECTORS

EDGAR A. NEWBERRY
 JOHN E. NELSON
 W. PERRY HUKILL
 JOHN J. NEWBERRY, JR.
 J. EDWARD HAWES
 F. STARK NEWBERRY
 JAMES V. NEWBERRY
 WALTER C. BAKER
 ANNA C. NEWBERRY
 MELVIN P. VAUGHT
 ALICE M. NEWBERRY
 MERVIN G. PALLISTER
 WALTER C. STRAUS
 RAYMOND E. WEBBER

OFFICERS

EDGAR A. NEWBERRY, *Chairman of the Board*
 JOHN E. NELSON, *President*
 J. EDWARD HAWES, *Vice-President*
 W. PERRY HUKILL, *Vice-President*
 F. STARK NEWBERRY, *Vice-President & Asst. Secy.*
 JAMES V. NEWBERRY, *Vice-President*
 JOHN J. NEWBERRY, JR., *Vice-President*
 WILLIAM F. TALLY, *Vice-President*
 MELVIN P. VAUGHT, *Vice-President*
 STANLEY D. CROSS, *Vice-President*
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 GEORGE L. KELLY, *Vice-President*
 GERALD E. MCPeAK, *Vice-President*
 RAYMOND E. WEBBER, *Vice-President*
 JESS LEE, *Vice-President*
 ROBERT W. WILLIAMS, *Vice-President*
 DEAN S. CAMPBELL, *Vice-President*
 WALTER C. STRAUS, *Vice-President & Treasurer*
 MERVIN G. PALLISTER, *Secretary*
 EUGENE P. HACKER, *Controller*
 ALFRED T. BULL, *Asst. Controller*
 HENRY D. VON OESSEN, *Asst. Treasurer*
 E. FRANK FOLEY, *Asst. Secretary*

TRANSFER AGENT

CORPORATION TRUST COMPANY, NEW YORK

REGISTRAR

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

AUDITORS

PEAT, MARWICK, MITCHELL & Co.

Newberrys

annual report ■ 1960



J. J. NEWBERRY CO. • 245 FIFTH AVENUE • NEW YORK

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COMPARATIVE HIGHLIGHTS OF THE YEAR'S RESULTS

	*1960	1959
SALES	\$265,818,306	\$238,007,599
EARNINGS BEFORE FEDERAL TAXES ON INCOME . .	\$ 9,389,948	\$ 11,242,267
NET EARNINGS AFTER FEDERAL TAXES ON INCOME .	\$ 4,778,893	\$ 5,589,740
TOTAL EARNINGS PER COMMON SHARE	\$2.42	\$3.32
DIVIDENDS PAID PER SHARE—COMMON (after Preferred dividends)	\$2.00	\$2.00
DIVIDENDS PAID PER SHARE—PREFERRED	\$3.75	\$3.75
TOTAL DIVIDENDS PAID	\$ 3,956,366	\$ 3,510,630
TOTAL SALARIES, WAGES AND EMPLOYEE BENEFITS .	\$ 55,544,235	\$ 48,935,918
TAXES—FEDERAL, STATE AND LOCAL (NOT INCLUDING TAXES PAID BY COMPANY FOR SOCIAL SECURITY) . .	\$ 6,424,379	\$ 7,310,991
TAXES—PER SHARE—COMMON	\$3.54	\$4.66
MERCHANDISE INVENTORIES	\$ 54,570,375	\$ 43,945,935
MERCHANDISE IN TRANSIT	\$ 5,910,453	\$ 6,340,141
NUMBER OF STORES IN OPERATION	559	462
AVERAGE SALES PER STORE	\$ 475,525*	\$ 515,168
EARNINGS RETAINED FOR USE IN THE BUSINESS . .	\$ 822,527	\$ 2,079,110

*Includes Hested-Lee Stores for full year.

TO OUR STOCKHOLDERS

Sales and Earnings

We are reporting J. J. Newberry Co. Sales and Earnings for 1960 together with the 1960 Sales and Earnings of Hested-Lee Stores which were combined with the Newberry Company stores.

Total 1960 Sales were \$265,818,306 compared with 1959 Sales of \$238,007,599, an increase of \$27,810,707.

Of this increase, \$17,946,191 represents Hested-Lee Sales for the full year of 1960.

Total Net Profits were \$4,778,893 compared with \$5,589,740 or \$2.42 per share of Common Stock in 1960 compared with \$3.32 in 1959.

The 1959 earnings included a non-recurring tax refund of 14 cents per share.

We regret the fact that 1960 Profits were less than 1959 in spite of more sales volume. Our Stockholders are entitled to an explanation for lower Net Profits in the face of higher sales.

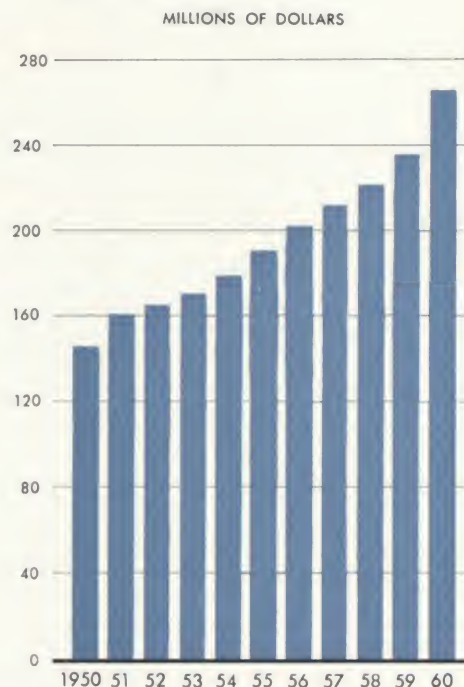
Combining 96 Hested-Lee stores with the Newberry Company operation required extra work and expense all the way along the line although we are very pleased to report that the Hested-Lee profits for 1960 helped rather than reduced the Newberry Company earnings per share.

In addition to the work and expense in combining the operation of the two companies, we had extra and non-recurring expenses in connection with a new warehouse of 290,000 sq. ft. in Woodside, Queens, N. Y. This new improved warehouse replaced former warehouse facilities housed in several buildings on different floors where it was impossible to have an efficient operation and the benefit of modern material handling equipment.

Also, we enlarged our warehouse in Los Angeles, Calif., adding 60,000 sq. ft. of space to an existing warehouse of 120,000 sq. ft.

As a further point on warehouse operations, the Hested-Lee Company has a modern warehouse building of 57,000 sq. ft. on a sizable tract of land well located in Omaha, Nebraska. Future plans contemplate the enlargement of the Omaha warehouse so we will then have three modern warehouse facilities located in the East, Middle West and Pacific Coast to help our stores have a complete assortment of merchandise on a rapid turnover basis through the principle of using re-order tickets which will be processed through electronic computer equipment.

sales



Our modern Warehouse in Omaha, Nebraska now serves our Hested and Lee Stores as well as Newberry Stores in the Plains States and in the Rocky Mountain section.

Our Warehouse in North Hollywood, California, is strategically located to give quick service to our many stores in California as well as other stores in the Western states. The addition of the rear "ell" section, completed during 1960, provides space in which we can now warehouse style line merchandise as well as our staple lines.



The Home Furnishings section of our new store in the Lloyd Regional Shopping Center in Portland, Oregon.

We invested a considerable sum of money in 1960 to get that program under way without realizing a great deal in immediate profits. In addition, we have established Style Warehouse facilities in our Woodside, Queens, N. Y. and Los Angeles Warehouses, using re-order tickets on the garments and electronic computer equipment. It costs considerable money to establish a program of this kind which we believe is necessary to help our stores have a clean assortment of these items of clothing with up-to-date styles.

An operation such as this enables our Buyers to plan purchases further ahead and work with suppliers to obtain advantageous prices which are also fair to the suppliers.

Our aim is to buy good quality merchandise at the lowest possible cost price. However we all know that a manufacturer who does not make a profit on the merchandise he sells to us will eventually cease to be a supplier.

Additional personnel was added last year looking to a substantial expansion of the business, enlargement and improvement of existing stores and opening of new stores. Also several positions were created whereby a man can specialize more in a particular line of merchandise to help our stores get better sales at a profit.

Start-up costs in new stores opened late in 1960, where we could not control the landlords' construction schedules, resulted in an oper-

ating loss in some of those stores. Present indications are that this year we will come closer to our goal of most new store openings occurring early enough in the year to show an operating profit.

We are very much encouraged by the volume of sales which has been developed in the Newberry stores on Better Quality and Higher Ticket items. This increases the average sale per customer and leads to a more substantial repeat business.

Inventories

Total Merchandise Inventories in stores and warehouses on Dec. 31, 1960 amounted to \$54,570,375 compared with \$43,945,935. This increase in Merchandise Inventory for 1960 includes the addition of merchandise in the Hested-Lee stores and some additional merchandise in our warehouses plus added merchandise in new and enlarged stores.

Financial Position

Working capital at the end of 1960 was \$58,482,278 compared with \$50,139,787 on Dec. 31, 1959. We continue to have a strong financial position.

Dividends

Cash dividends of \$2.00 per share of Common Stock were paid during the year. The first Common Stock Dividend was paid in 1928. The company has now paid 130 consecutive quarterly cash dividends on the Common Stock.

Expansion, Modernization and Store Improvements

We are continuing our objective of balancing our program of physical expansion, keeping in mind improvement and modernization as well as enlargement of existing stores and the opening of new stores.

Our experience to date causes us to believe our program of larger than average size stores for our type of business can be the best program for the Newberry Company. Our average new store is approximately twice the size of new stores being opened by other companies which might be called our direct competitors.

We are in competition with many types of retail outlets. Discount type stores have received considerable publicity during recent years



Good food in a pleasant atmosphere is the theme which brings repeat business to our modern cafeterias. Here pictured is the spacious dining area of our Lloyd Shopping Center store in Portland, Oregon.



Ladies casual wear in our Melrose Park, Illinois store. An air of spaciousness together with the use of manikins, decorative lighting fixtures and carpeting, creates a pleasant atmosphere in which to shop.

A typical Piece Goods Department in a new Newberry store. The department pictured here is in our new store in the College Grove Shopping Center in San Diego, California.



and have made very substantial sales gains. We are in competition with that type of store as to price although, in general, we have a much more complete assortment of so-called "bread and butter" staple and seasonable items to serve our customers' needs day in and day out.

Our opinion has been that a program embracing mostly smaller size stores would make us more and more vulnerable to cut-rate drug stores, super markets and other stores which sell many items formerly classified as variety store items at a cut-rate price.

Considering the competition from discount stores on higher ticket items, we need the benefit of space to display and sell, at cut-rate or regular prices, a broad assortment of merchandise including staple items, clothing for all the family, housewares and home furnishings, not to mention the thousands of new items that come onto the market each year and receive excellent customer acceptance for at least a limited period of time.

Our Store Managers are in a much better position when they can have strength of merchandise assortment and enough sales volume to support a necessary advertising budget.

We are most optimistic about the future potential along this line in the Newberry Company.

Referring again to Hested-Lee Stores, we are proud to be associated with the members of the Hested-Lee organization. In only two instances were Hested-Lee and Newberry stores located in the same town. Combining the two companies has made several promotions possible for men in the Hested-Lee organization.

Both Hested-Lee and Newberry stores are located mainly in medium and smaller size towns. Because both companies started with limited financial resources, there was a time when neither company was strong enough financially to go into a large city downtown area. In some ways that has reacted to our benefit because numerous large city retail sections are having problems resulting from outlying shopping centers, traffic congestion and lack of parking.

We are not talking against downtown and large city locations because we have many of them which are profitable. We are even enlarging some of these stores. However, very few downtown areas need additional retail stores at present whereas there are excellent opportunities to serve more customers with larger, modern stores in medium and smaller size communities. This is in addition to shopping center locations. We have a good cross section of shopping center stores at present and leased for future opening. These are in what may be called neighborhood convenience centers as well as in large regional shopping centers.



Plants and Pets both create a great deal of customer interest in our stores. This photograph was taken in our new store in the College Grove Shopping Center in San Diego, California.

The program in both Hested-Lee and Newberrys has been to have the largest and nicest looking store in many medium and smaller size communities where we can give our customers the benefit of the widest possible assortment of merchandise, up-to-date styles with new items as quickly as they are developed and with a competitive pricing policy to insure our customers of good values.

We now have 275 stores using the principle of self-service customer checkout. We plan to convert additional stores to this self-service checkout principle.

In some locations and in larger size stores the Area Cashier with Wrapping Stations seems to be more acceptable to our customers. We have no pride of opinion; our objective is to please the customers and have a set-up in each store that will be most efficient in that particular store.

We are striving constantly for more efficiency in Newberrys with tight control of every type of operating expense.

Capital expenditures during 1960 were as follows:

For new land and buildings	\$ 1,515,000
For new furniture and fixtures	6,034,000
For new leasehold improvements	4,239,000
Total 1960 Capital Expenditures	\$11,788,000
Less sales of certain of above improved properties	6,770,000
Net New 1960 Capital Expenditures	\$ 5,018,000

In addition to the 96 Hested-Lee stores which were combined with Newberrys, new stores were opened in the following 11 locations:

*Birmingham, Ala.	*Ventura, Calif.	*Portland, Ore. (2)
*Compton, Calif.	*Melrose Park, Ill.	*Austin, Texas
*San Diego, Calif.	Madawaska, Me.	*Renton, Wash.
	Westfield, Mass.	

*Indicates new shopping center locations.

As of January 1, 1960 we purchased 5 stores from M. N. Landau Company, located in Westfield, Mass., Laconia, N. H., Caribou, Me., Madawaska, Me. and Millinocket, Me. We already had a Newberry store in Millinocket which has been continued. The Landau store which was across the street has been converted to a Newberry Department store so that we have two types of stores in Millinocket, Me.



Our Eastport Plaza Shopping Center Store in Portland, Oregon. This Center, built with a covered mall, was completed and opened in the eastern suburbs of Portland late in 1960. Newberrys occupies a prominent position on the mall.



Our "Holland House" free-standing Cafeteria and Bakery was opened as a new unit during 1960 in Compton, California.



The Credit Office in our Paramus, New Jersey store, located in the Bergen Mall Regional Shopping Center. Credit selling continues to increase in importance in Newberrys as we handle more higher priced lines of merchandise.



"Gondola" shelving provides multi-level selling in many new and modernized Newberry stores. Here pictured is the lower sales level of our new store in the Lloyd Regional Shopping Center in Portland, Oregon.

Major alterations were completed in 16 stores as follows:

Redondo Beach, Calif. (2)	Whiting, Ind.	Malone, N. Y.
New Haven, Conn.	Lincoln, Me.	Massena, N. Y.
Pensacola, Fla.	St. Louis, Mo.	Cambridge, Ohio
Macon, Ga.	Billings, Mont.	Sunbury, Pa.
Granite City, Ill.	Laconia, N. H.	Winchester, Va.

In addition to the major alteration or enlargement jobs listed above, air conditioning and improved lighting were installed in several stores and numerous fixture alteration jobs were completed, in several instances converting to self-service checkout.

There were 559 stores in operation at the end of 1960. 3 stores were closed during the year and 9 additional stores were closed at the end of 1960. While the operating loss of closing stores is undesirable, sometimes that is the only alternative when it is not possible or practical to arrange for a profitable lease extension.

Credit Program

During 1960 credit facilities for our customers were added in 104 stores making a total of 235 stores where Newberry customers may now buy merchandise on credit.

We have regular 30 Day Charge Accounts, Revolving Credit Accounts and Conditional Sale or Installment Payment Plan Accounts.

We believe it is necessary to offer credit facilities to our customers who wish to buy Better Quality and Higher Ticket merchandise. Our experience with credit selling has been very favorable.

Personnel and Suppliers

It is interesting that, during 1959, 55 employees completed 20 years of association with the Newberry Company and during 1960 the same number, 55 additional employees, completed 20 years of association with Newberrys.

This brings to 839 the number of employees having 20 Year Service Award Pins. 351 employees received recognition during 1960 for 10 years of service, making a total of 3,949 employees with more than 10 years experience in the Newberry Company.

There are several hundred persons in the Hested-Lee organization who have more than 10 years experience and association with the company, and many men and women who have been with Hested-Lee for more than 20 years.

Once again we wish to emphasize the pleasure of the personnel in the Newberry Company at being associated with the Hested-Lee

stores because of the high caliber and outstanding character and ability of the people in the Hested-Lee companies.

In addition to employees with more than 10 years of service we are proud to be associated with thousands of other men and women in the Newberry business family who are competent, loyal and keenly interested in doing excellent work.

The Newberry Employee Stock Option Plan has been in operation for 5 years. 1,927 employees are now the owners of 75,011 shares of Common Stock of the Company.

The growth and profits of our business are dependent on the personnel in the Company as well as on the merchandise and service furnished by our Suppliers. We are grateful for the continued cooperation of our thousands of Suppliers, some of whom have been selling merchandise to Newberrys since Mr. J. J. Newberry opened his first store in Stroudsburg, Pa. in 1911.

This year of 1961 marks the 50th Anniversary of the founding of the Newberry Company business.

We feel very confident that 1961 will be a good year for Newberrys from the standpoint of both sales and profits because of the experience that has been gained by so many people in our Company in connection with selecting and selling a broader assortment of merchandise at a profit and because of the major enlargement of 27 stores and the contemplated opening of 22 new stores this year which will add more than 20 miles of counter and rack space to our present sales area.

E. J. Nelson
Chairman of the Board

J. E. Nelson
President

March 10, 1961



Main floor sales area in our Lloyd Shopping Center store, Portland, Oregon, showing jewelry and accessories featured for impulse buying.



The Footwear Department in our Winston Park Plaza Shopping Center store located in Melrose Park, Illinois, a suburb located on the north side of Chicago. A simple backdrop of white lattice and medium blue fabric lends an air of prestige to the entire store.

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1960

ASSETS	1960	1959
CURRENT ASSETS:		
Cash	\$ 14,873,425	\$ 12,893,878
Short-term Government securities, at cost plus accrued interest (approximate market)	998,228	5,150,749
Customers' accounts receivable, including equity of \$650,207 in accounts receivable sold, less provision for doubtful accounts \$65,000	3,917,251	2,752,059
Miscellaneous accounts receivable	1,609,521	1,387,196
Merchandise, at the lower of cost or market:		
At stores and warehouses	54,570,375	43,945,935
In transit	5,910,453	6,340,141
Total merchandise	60,480,828	50,286,076
Prepaid expenses	1,639,573	1,476,485
TOTAL CURRENT ASSETS	83,518,826	73,946,443
MISCELLANEOUS INVESTMENTS AND ADVANCES, AT COST	218,070	185,808
PROPERTY AND EQUIPMENT, AT COST (note 2):		
Land, buildings and improvements	10,575,202	9,172,351
Furniture and fixtures	38,970,213	39,533,043
Alterations and improvements to leased properties	22,301,630	19,853,597
	71,847,045	68,558,991
Less provision for depreciation and amortization	31,065,640	27,181,162
TOTAL PROPERTY AND EQUIPMENT (net)	40,781,405	41,377,829
DEFERRED CHARGES	1,367,201	1,587,886
	<u>\$125,885,502</u>	<u>\$117,097,966</u>

See accompanying notes to financial statements.

LIABILITIES	1960	1959
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 20,233,666	\$ 18,787,655
Provision for Federal taxes on income	3,596,941	4,366,240
Dividend payable on preferred stock in February of following year	93,752	93,752
Installments on long-term debt due within one year	1,112,189	559,009
TOTAL CURRENT LIABILITIES	25,036,548	23,806,656
DEFERRED FEDERAL TAXES ON INCOME (note 3)	2,288,000	1,370,000
LONG-TERM DEBT, less amounts due within one year classified as current liabilities (note 4)	18,656,648	19,518,987
RESERVE FOR INCENTIVE STOCK BONUS PLAN (note 5)	137,274	132,324
RESERVE FOR SELF-INSURANCE—fire, flood and other risks	1,649,201	1,020,419
STOCKHOLDERS' EQUITY (note 5):		
Cumulative Preferred Stock, par value \$100 per share:		
Authorized 125,000 shares, issuable in series.		
Issued 100,000 shares, 3¾ % Series (redeemable at \$101.50 per share, plus accrued dividends)	10,000,000	10,000,000
Common Stock, no par value:		
Authorized 2,000,000 shares.		
Issued 1,876,191 shares	10,170,830	6,593,222
Subscribed and unissued 11,934 shares	388,706	341,164
Retained earnings (approximately \$12,000,000 free of restrictions pertaining to payment of dividends, etc.)	57,861,257	54,618,156
	78,420,793	71,552,542
Less cost of 59,472 shares of Common Stock in treasury	302,962	302,962
TOTAL STOCKHOLDERS' EQUITY	78,117,831	71,249,580
	<u>\$125,885,502</u>	<u>\$117,097,966</u>

See accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1960 WITH COMPARATIVE FIGURES FOR 1959

	1960	1959
Sales	\$265,818,306	\$238,007,599
Other income	414,011	202,942
	<u>266,232,317</u>	<u>238,210,541</u>
Deduct:		
Cost of merchandise sold and operating expenses . .	246,973,533	218,368,590
Taxes, other than Federal taxes on income	4,211,985	3,449,778
Depreciation and amortization	3,337,903	3,086,897
Interest	1,462,210	1,184,769
Employees' retirement expense (note 6)	660,667	589,154
Miscellaneous deductions	196,071	289,086
	<u>256,842,369</u>	<u>226,968,274</u>
Profit before Federal taxes on income	9,389,948	11,242,267
Provision for Federal taxes on income	4,611,055	5,652,527
Net earnings for the year (note 1)	<u>4,778,893</u>	<u>5,589,740</u>
Less dividends:		
3¾ % Cumulative Preferred Stock	375,008	375,008
Common Stock—\$2 per share	3,396,296	3,135,622
Hested-Lee Corporations, prior to pooling of interests	185,062	
	<u>3,956,366</u>	<u>3,510,630</u>
Current earnings retained	822,527	2,079,110
Add retained earnings from prior years:		
J. J. Newberry Co.	54,618,156	52,539,046
Hested-Lee Corporations-pooled interests	2,420,574	
Retained earnings at end of year (approximately \$12,000,000 free of restric- tions pertaining to payment of dividends, etc.)	<u>\$ 57,861,257</u>	<u>\$ 54,618,156</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**DECEMBER 31, 1960**

1. On June 30, 1960, J. J. Newberry Co. issued 230,000 shares of its common stock in connection with a "pooling of interests" with Hested Stores Co., Hested Stores, Inc., Lee Stores, Inc., Lee Realty Co. and their subsidiaries. The consolidated financial statements for 1960 include the operations of the Hested-Lee corporations for the full calendar year (sales \$17,946,191 and net earnings \$744,962).

2. During 1960, the company and its subsidiaries sold at a nominal profit and leased back property and equipment having a net book value of approximately \$12,675,000; the leases (which are subject to renewal at reduced rentals) have initial periods which are approximately equal to the estimated useful life of the assets.

Minimum annual rentals on properties, including those sold in 1960, aggregating approximately \$10,600,000 are payable by the company under leases extending more than five years; 80% of such aggregate amount is payable annually under leases expiring within twenty-five years.

3. In filing its tax returns for the year 1959 (subsequent to release of financial statements to stockholders), the company elected to report income from credit sales on the installment method, the net effect being to defer taxes of approximately \$665,000. Taxes deferred because of use of this method for the year 1960 amounted to \$850,000.

Deferred income taxes applicable to excess of accelerated depreciation deducted for tax purposes over normal depreciation reflected in the financial statements amounted to \$1,438,000 at December 31, 1960.

4. The detail of the long-term debt less current portion is as follows:

	<u>1960</u>	<u>1959</u>
Mortgages payable on real estate	\$ 1,759,998	\$ 1,651,635
2.90% Sinking Fund Notes due August 15, 1968 (sinking fund \$450,000 per annum increasing to \$550,000 in 1963)	6,700,000	7,150,000
3¾% Sinking Fund Notes due May 15, 1976 (sinking fund \$500,000 per annum commencing in 1961)	9,500,000	10,000,000
3½% Promissory Notes due in semi-annual installments (presently about \$20,000 per annum) to 1975	696,650	717,352
	<u>\$18,656,648</u>	<u>\$19,518,987</u>

5. An employees' restricted stock option plan provides that each year for which it is declared effective, each person in the employ of the company since the beginning of the preceding year is to be granted an option to purchase one share of common stock for each full \$300 of his compensation during that year. Options are exercisable prior to December 31 in the year granted at 85% of the fair market value on the date of purchase. During 1960, options for 18,214 shares including 11,934 shares subscribed for but not issued were exercised at an average price of \$33.49. The number of shares available for 1961 for which the Board of Directors has again declared the plan effective is 23,131.

Provision for the incentive stock bonus plan for 1960 was limited to an amount equal to dividends on 6,799 shares previously allotted to participants of the plan; the Board of Directors in 1960 reserved 6,799 shares of common stock held in the treasury for purposes of the plan. The company has reserved the right to amend or discontinue the plan at any time, but may not retroactively reduce credits to the participants.

6. Unfunded past service costs of the Employees' Retirement Plan, which amounted to approximately \$690,000 as of December 31, 1960, are being amortized in annual installments, as permitted by the U. S. Treasury Department. The company expects to continue the plan but has reserved the right to modify or discontinue it at any time. Charges to income for 1960 included \$66,373 in respect to past service benefits.

ACCOUNTANTS' REPORT

The Board of Directors and Stockholders

J. J. NEWBERRY CO.:

We have examined the consolidated balance sheet of J. J. Newberry Co. and subsidiaries as of December 31, 1960 and the related statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of J. J. Newberry Co. and subsidiaries at December 31, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.

New York, N. Y.

March 2, 1961

Newberrys

RECORD OF SALES AND EARNINGS

<i>Year</i>	<i>Number of Stores</i>	<i>Sales</i>	<i>Earnings per share on Common Stock Outstanding</i>	<i>No. of Shares Common Stock Outstanding</i>
1912	1	\$ 32,383	N O T I N C O R P O R A T E D	
1913	2	42,184		
1914	3	92,640		
1915	5	116,009		
1916	5	151,465		
1917	6	149,466		
1918	7	276,449		
1919	17	502,445		
1920	17	751,984		
1921	26	1,157,234		
1922	33	1,750,066		
1923	51	3,564,947	\$4.68	48,000
1924	68	5,114,339	6.42	48,666
1925	86	6,897,414	8.28	50,200
1926	112	9,985,074	*3.06	206,000
1927	151	15,069,159	3.65	213,200
1928	210	20,609,366	4.62	239,620
1929	279	27,789,369	†3.15	395,314
1930	335	30,187,392	2.22	395,314
1931	379	31,146,802	1.73	385,150
1932	406	33,121,670	1.07	381,324
1933	417	35,146,574	3.06	379,974
1934	431	41,054,218	5.38	380,446
1935	450	43,388,611	4.94	380,446
1936	461	48,376,510	6.03	380,446
1937	469	50,315,454	5.27	380,446
1938	476	49,040,697	4.04	380,446
1939	479	52,272,953	5.44	380,446
1940	486	55,879,580	4.53	380,446
1941	488	64,228,956	6.40	380,446
1942	492	77,313,152	6.70	380,446
1943	491	91,028,763	7.58	380,446
1944	491	95,861,688	7.39	380,446
1945	488	100,868,759	‡1.93	1,521,784
1946	487	113,228,967	4.74	1,521,784
1947	485	117,860,227	4.30	1,521,784
1948	484	134,785,360	4.55	1,521,784
1949	482	136,783,109	3.71	1,521,784
1950	483	145,671,210	4.24	1,521,784
1951	480	161,266,885	3.47	1,521,784
1952	477	166,315,526	3.32	1,521,784
1953	476	171,163,900	3.48	1,521,784
1954	476	179,756,015	2.96	1,521,784
1955	476	190,689,902	3.59	1,521,784
1956	476	203,463,103	3.18	1,530,443
1957	476	212,942,786	2.58	1,547,231
1958	469	221,873,189	3.12	1,560,396
1959	462	238,007,599	3.32	1,570,405
§1960	559	265,818,306	2.42	1,816,719

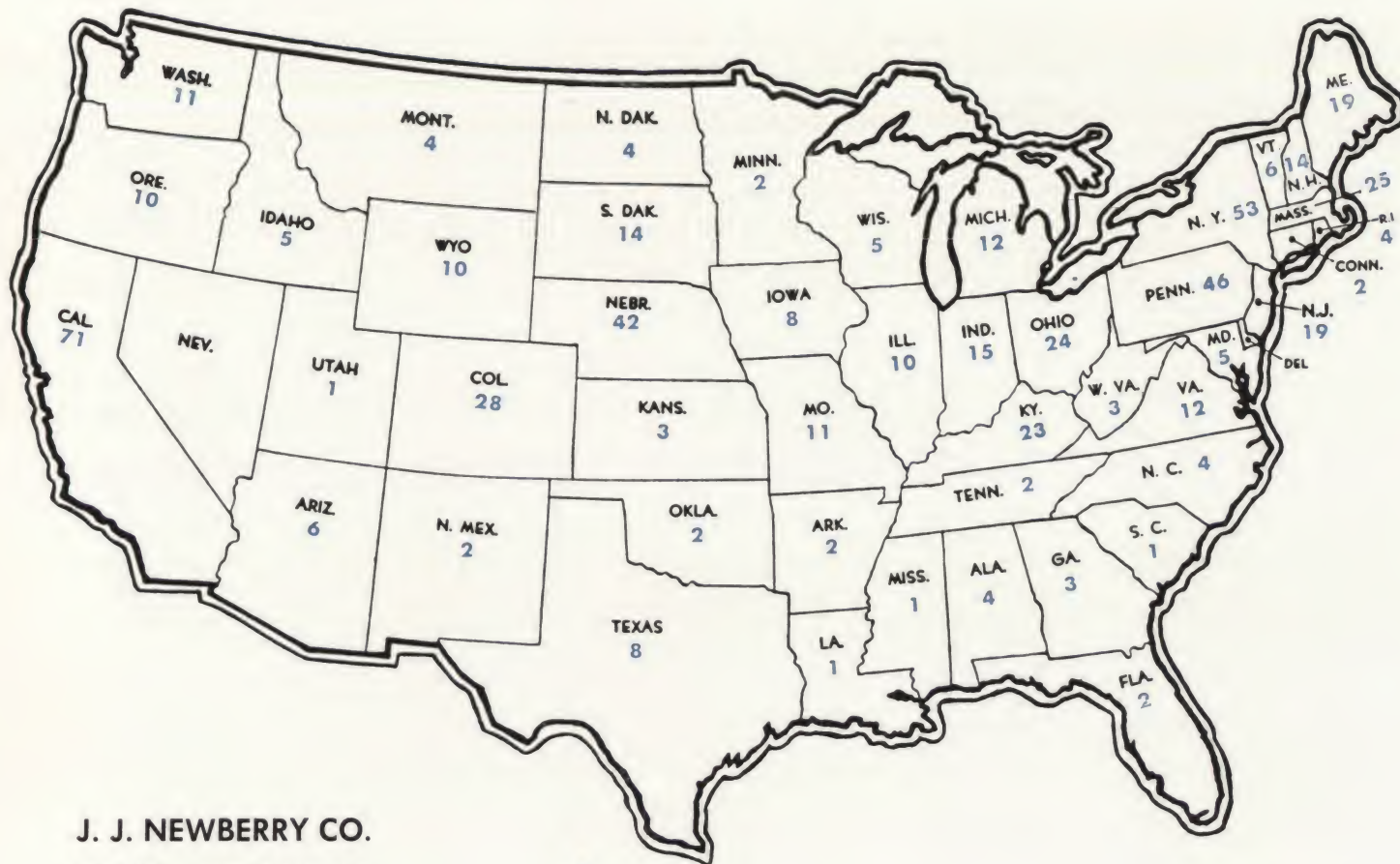
* Stock split-up 4 shares for 1 in 1926.

† Stock split-up 3 shares for 2 and rights to subscribe to 10% of holdings issued May 1st, 1929.

‡ Stock split-up 4 shares for 1 in 1945.

§ Includes Hested-Lee stores for full year.

Newberrys *Serving these 559 Communities*



J. J. NEWBERRY CO. STORE LOCATIONS

Executive Offices:
245 FIFTH AVE.
NEW YORK 16, N. Y.

- (*) Operated under name of HESTEDS
(†) Operated under name of LEE
(o) Operated under name of KAUFMANN'S

Division Offices:

BOSTON — 4 Federal St., Woburn, Mass.
MANHATTAN — 62 W. 45th St., New York, N. Y.
ATLANTIC — 245 Fifth Ave., New York, N. Y.
ST. LOUIS — 1221 Locust St., St. Louis 3, Mo.
OMAHA — 885 South 72nd St., Omaha, Neb.
LOS ANGELES — 314 W. Sixth St., Los Angeles, Calif.

Warehouse Locations:
NEW YORK, N. Y.
OMAHA, NEB.
NO. HOLLYWOOD, CAL.

Alabama—4
Birmingham (2)
Dothan
Montgomery

Arizona—6
Douglas
Mesa
Nogales
Phoenix (3)

Arkansas—2
Hot Springs
Pine Bluff

California—71
Alhambra
Bakersfield
Bell
Bellflower
Beverly Hills
Brawley
Burbank (2)
Compton (3)
Downey
El Centro
Fresno
Glendale
Hanford
Hollywood
Huntington Park
Inglewood
La Mirada
Long Beach (2)
Los Angeles (14)
Merced
Modesto
Monterey Park
North Hollywood
Norwalk
Oakland
Ontario
Pomona
Porterville
Redlands
Redondo Beach (2)
Reseda
Salinas
San Diego
San Francisco
San Mateo
San Pedro
Santa Ana (2)
Santa Barbara

Santa Monica (2)
Santa Rosa
Stockton
Studio City
Sunnyvale
Torrance
Vallejo
Van Nuys
Ventura (2)
Visalia
West Covina
Whittier

Colorado—28
Alamosa (*)
Arvada (*)
Aurora (2) (*)
Boulder (*)
Craig (*)
Delta (*)
Denver (8) (*)
Florence (*)
Glenwood Springs (*)
Golden (*)
Grand Junction (*)
Greeley (*)
La Junta
Lakewood (2) (*)

from Coast to Coast...

Monte Vista (*)	Cynthiana	Whitman	Sidney (†)	Malone	Pennsylvania—46	Texas—8
Montrose (*)	Danville	Worcester	Superior (*)	Manhasset	Berwick	Austin
Pueblo (2)	Elizabethtown		Tecumseh (*)	Massena	Bloomsburg	Beaumont
Rocky Ford (*)	Frankfort		Valentine (†)	Middletown	Bradford	Denison
	Glasgow	Michigan—12	West Point (*)	Niagara Falls	Carbondale	Eagle Pass
Connecticut—2	Harlan	Alma	York (*)	Northville	Chambersburg	El Paso (2)
Hartford	Harrodsburg	Calumet		Nyack	Coalport	Houston
New Haven	Hazard	Charlotte	New Hampshire—14	Ogdensburg	Coatesville	Texarkana
	Henderson	Coldwater	Berlin	Oneonta	Danville	
Florida—2	Lawrenceburg	Houghton	Claremont	Ossining	Downingtown	Utah—1
Pensacola	Lebanon	Iron River	Concord	Oswego	Du Bois	Ogden
Tampa	Mayfield	Ishpeming	Derry	Penn Yan	Ephrata	
	Mt. Sterling	Ludington	Dover	Perry	Forest City	Vermont—6
Georgia—3	Owensboro	Manistee	Franklin	Port Jervis	Freeland	Barre
Atlanta	Paris	Midland	Keene	Poughkeepsie	Homestead	Bellows Falls
Columbus	Pineville	Port Huron	Salamanca	Saratoga Springs	Jim Thorpe	Newport
Macon	Richmond	Three Rivers	Saranac Lake	Saugerties	Jersey Shore	Springfield
	Shelbyville		Saratoga Springs	Ticonderoga	Kennett Square	White River Junction
Idaho—5	Somerset	Minnesota—2	Tupper Lake	Valley Stream	Lansford	Windsor
Boise	Winchester	Moorhead (†)	Valley Stream	Walton	Lewisburg	
Idaho Falls	Louisiana—1	Pipestone (†)	Watertown	Wellsville	Lock Haven	Virginia—12
Lewiston	Lake Charles		Whitehall	Whitehall	McAdoo	Bedford
Pocatello	Maine—19	Mississippi—1	New Jersey—19	North Carolina—4	Mahonoy City	Clifton Forge
Twin Falls	Bangor	Meridian	Asbury Park	Asheville	Middletown	Milton
Illinois—10	Bath		Atlantic City	Monroe	Mt. Carmel	Nanticoke
Canton	Calais	Missouri—11	Boonton	Reidsville	Newport	Newport
Collinsville	Caribou	Columbia	Bridgeton	Statesville	Northampton	Olyphant
Dixon	Dover-Foxcroft	Excelsior Springs	Caldwell		Oxford	Phoenixville
Granite City	Eastport	Kansas City	Dover	North Dakota—4	Pottstown	Renovo
Litchfield	Ellsworth	Maplewood	Freehold	Bismarck (*)	Royersford	Sayre
Macomb	Farmington	Poplar Bluff	Hackettstown	Fargo	Scranton	Shamokin
Melrose Park	Fort Kent	Richmond Heights	Hammononton	Grand Forks	Shenandoah	Somerser
Peoria	Houlton	St. Louis (3)	Keyport	Hettinger (*)	Stroudsburg	Sunbury
Rock Island	Lincoln	Springfield	Long Branch		Tamaqua	Towanda
West Frankfort	Madawaska	Montana—4	Millville	Ohio—24	Waynesboro	Wellsboro
	Mars Hill	Billings	New Brunswick	Ashland	West Chester	
Indiana—15	Millinocket	Great Falls (*)	Newton	Ashtabula		Rhode Island—4
Auburn	Norway	Hardin (*)	Paramus	Bowling Green		Newport
Connersville	Presque Isle	Laurel (*)	Red Bank	Bryan		Providence
Decatur	Rumford		Springfield	Bucyrus		Warren
East Chicago	Van Buren	Nebraska—42	Vineland	Cambridge		West Warwick
Gary		Ainsworth (†)	Wildwood	Chillicothe		
Goshen	Maryland—5	Albion (†)		Cincinnati		South Carolina—1
Hammond	Brunswick	Alliance (*)	New Mexico—2	Cleveland (3)		Camden
Hartford City	Elkton	Auburn (*)	Las Vegas	Conneaut		
Indiana Harbor	Frederick	Aurora (*)	Raton	Coshocton		South Dakota—14
Jasper	Hagerstown	Beatrice (*)		East Palestine		Aberdeen
Marion	Pocomoke City	Bellevue (*)	New York—53	Findlay		Belle Fourche (†)
Martinsville		Broken Bow (*)	Albion	Fremont		Chamberlain (†)
New Albany	Massachusetts—25	Central City (*)	Amsterdam	Ironton		Hot Springs (†)
New Castle	Amesbury	Chadron (*)	Auburn	Lancaster		Huron
Whiting	Boston	David City (*)	Batavia	Lima		Lead
	Bridgewater	Fairbury (*)	Bath	Massillon		Mitchell
Iowa—8	Chelsea	Falls City (*)	Bay Shore	New Philadelphia		Rapid City
Carroll (†)	Clinton	Geneva (*)	Buffalo	Tiffin		Sioux Falls (2)
Denison (†)	Fall River	Gering (*)	Canandaigua	Wooster		Sturgis (†)
Des Moines (†)	Falmouth	Gordon (*)	Canton	Zanesville		Vermillion
Glenwood (†)	Framingham	Grand Island (*)	Catskill			Winner (†)
Iowa Falls	Franklin	Grand Island (o)	Cobleskill	Oklahoma—2		Yankton
Sibley (†)	Gardner	Hastings (*)	Cooperstown	Okmulgee		
Storm Lake (†)	Haverhill	Hebron (*)	Corning	Sapulpa		Oregon—10
Webster City	Holyoke	Holdrege (*)	Cortland			Astoria
	Leominster	Kimball (*)	Elmira			Bend
Kansas—3	Maynard	Lincoln (*)	Endicott			Eugene
Coffeyville	Maynard	McCook (*)	Gloversville			Klamath Falls
Marysville (*)	Newburyport	Minden (*)	Gouverneur			Medford
Parsons	North Adams	Nebraska City (*)	Greenpoint, Bklyn.			Portland (3)
	Northampton	Neligh (*)	Hicksville			Roseburg
	North Attleboro	Norfolk (*)	Hornell			Salem
	Peabody	Ogallala (†)	Hudson			
Kentucky—23	Pittsfield	Omaha (4) (*)	Ithaca			
Bardstown	Stoughton	O'Neill (†)	Kingston			Tennessee—2
Central City	Wakefield	Ord (†)	Little Falls			Gallatin
Corbin	Westfield	Ralston (*)	Lockport			Jellico
			Lyons			
						West Virginia—3
						Charleston
						Charles Town
						Martinsburg
						Wisconsin—5
						Fond Du Lac
						Kenosha
						Oshkosh
						Rhineland
						Superior
						Wyoming—10
						Buffalo (*)
						Cheyenne
						Douglas (*)
						Gillette (*)
						Laramie (*)
						Newcastle (*)
						Rawlins (*)
						Rock Springs
						Torrington (*)
						Wheatland (*)

